

ADMINISTRATION AND FINANCE COMMITTEE

DATE: February 1, 2005

CALLED TO ORDER: 5:05 p.m.

ADJOURNED: 5:55 p.m.

ATTENDANCE

Attending Members

Jackie Nytes, Acting Chair
Vernon Brown
Lynn McWhirter
Jackie Nytes
Lincoln Plowman
Steve Talley

Absent Members

Joanne Sanders
Becky Langsford

AGENDA

PROPOSAL NO. 743, 2004 - creates a nonreverting fund to be known as the "Delinquent Business Personal Property Settlement Fund"
"Do Pass as Amended" Vote: 5-0

PROPOSAL NO. 26, 2005 - approving the Installment Tax Payment Plan for certain real estate taxes
"Do Pass" Vote: 4-0

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, February 1, 2005. Acting Chair Jackie Nytes called the meeting to order at 5:05 p.m., with the following members present: Vernon Brown, Lynn McWhirter, Lincoln Plowman, and Steve Talley. Also present was Mary Moriarty Adams and Earl Salisbury.

PROPOSAL NO. 743, 2004 - creates a nonreverting fund to be known as the "Delinquent Business Personal Property Settlement Fund"

Councillor Nytes, acting chair, said her concern with this proposal is that it represents a significant contract that is not included in any of the agencies' budgets. She said the contract is being treated off line, without an appropriation from the Council.

Paul Ricketts, Lawrence Township Assessor and President of the Township Assessors in Marion County, said the assessors have the responsibility of auditing personal property, but have not been able to have a significant amount of qualified people to audit the returns. He said Tax Management Associates (TMA) offered to provide audit service to the assessors. TMA will charge a fee, per file, and the assessors would be able to receive the money that was under valued or omitted. The assessors will then pay TMA from the amount received and then distributes the remaining amount. Mr. Ricketts said the contract states that if TMA collects a million dollars and their fee is \$2 million, TMA can never collect more than what they find in the under valued property. He said the case history on returns has been about 3-1, for every million dollars one can expect \$4 million back in return. Mr. Ricketts said the problem they ran into was tracking the funds to pay TMA. Their property system does not have the ability to track funds. He said it was the Auditor's opinion to have an ordinance enabling TMA to have a special fund. Mr. Ricketts said he has spoken with a representative from Information Services Agency (ISA), who has indicated that it may take 100- 200 hours, to reprogram the current system to be able to track funds.

James Maley, Center Township Assessor, said over the years the assessors have come to the Council suggesting that there was additional revenue the assessors could receive if they had the ability to hire someone to do audits. Eric Bailey, Center Township Deputy Assessor, said since April 2004, TMA has found \$14,060,000 in assessed value in Center Township alone, which roughly estimates to \$450,000 taxed.

Councillor Brown asked if there are any draw backs to the business community. Mr. Ricketts said it actually is a positive for the business community too. TMA is not only looking for just under valued or omitted revenue, but a business can find out they are over reporting. This service can be an up side for business and residential properties. Councillor Brown asked if each township assessor is picking the criteria for the audit from the same objective material. Mr. Ricketts replied in the negative and said they have a group that meets with the business personal property deputies and they look at universal companies that are throughout the townships. Then each township has the opportunity to

choose which businesses are audited. He said the township assessor can pick all the businesses to be audit. The group's goal is to get a good cross section of those businesses that are over or under certain limits. Councillor Brown asked if their method and choosing which businesses are audited prevents discrimination. Mr. Ricketts said all the details that are discussed with personal property deputies are the same criteria. He said he cannot speak for individual assessors, but added that they do not intend to discriminate against anyone. The main goal is to get the best and most correct assessment.

Larry Brandon, representative of TMA, said they suggest to audit anyone who files \$50,000 and above.

Mr. Ricketts clarified their method of choosing who is audited. He said TMA cannot do all their \$50,000 and above audits in the same year; therefore, the assessors will pick those who get audited in addition to the universal businesses.

Councillor McWhirter asked the following questions:

- How long are the audits?
- How long will the nonreverting fund be needed?
- What is the time frame on distribution of the funds?
- When does the money get back to the entities?

Mr. Ricketts said some townships sent their entire lists; others picked their audits for the first year. He said TMA will most likely pick a certain amount of audits out of each township. Mr. Ricketts said they should have all their audits completed by December 2007. He said the nonreverting fund will be needed until the end of 2007, due to the distribution of funds at the end of 2007. Mr. Ricketts said it is up to the auditor's office on when funds are distributed. Initially, the auditor's office will make sure TMA is paid before they distribute any money.

Councillor McWhirter asked if they are doing townships simultaneously. Mr. Ricketts replied in the affirmative. Councillor McWhirter asked how the funds are being disbursed. Mr. Ricketts said the assessors agreed to pool the money and pay TMA. He said the auditor makes the decision on when the excess funds are distributed. Shirley Mizen, Deputy Auditor, said she is unsure of the timeline to distribute the money, but the excess funds are to go back to the taxing units that are entitled to the money.

Councillor McWhirter asked what happens to the money in November; does it go to the taxing district or to the nonreverting fund? Mr. Ricketts said this would need to be worked out between the auditor and the treasurer. He said these are details that have to be decided.

Councillor Nytes asked if they are sure that enough revenue will be collected on the under reported funds to exceed the bills. Mr. Ricketts said he believes there will be a 3-1 ratio. If the bill is \$1.2 million, then the income should be \$3.5 to \$4 million. Mr. Ricketts said until they can track revenue onto the main bill, they will not have an

absolute figure. Councillor Nytes said she believes some of the questions on the nonreverting fund can be answered if the assessments are approached on a county wide basis. She said maybe the fair way to distribute the excess money is to take the tax break out and divide the money by those tax rates for every unit. Mr. Ricketts said he does not understand how doing it on a county wide basis will change the situation. The statute says that the excess money has to be distributed back to the taxing unit. He said having one assessor is not going to change the relationship on how the money is distributed. The advantage of having nine assessors is that they know their townships and will audit those they suspect first and eventually audit everyone else.

Councillor Nytes said an amendment to the proposal has been explored to put a sunset (end date) on the fund. She said the thinking behind the amendment is to have a fresh starting point, but eventually have the personal audits be treated as a normal cost of the assessing process.

Councillor McWhirter said she has an objection to the June 29, 2007 sunset date. She said Mr. Ricketts indicated that the agreement for the special fund would be to December 31, 2007, to prevent any problems with distribution. She said budgets are done before the end of the year; therefore, the Council will know the cost if a budget is foreseen in 2008.

Ms. Mizen said the auditor's office can make the end dates to any preference the Council requests. This will prevent anything from processing after that point of time.

Cindy Land, Treasurer's Office, said the treasurer's office believes this nonreverting fund is workable, just a matter of mechanics. She said the auditor's and treasurer's office will be required to do extensive manual labor in tracking the special assessments. Ms. Land expressed her only concern with the proposal is being able to track additional distributions.

Councillor Talley moved, seconded by Councillor Brown, to amend Proposal No. 743, 2004, per exhibit A. This motion carried by a vote of 5-0.

Councillor Talley moved, seconded by Councillor Brown, to send Proposal No. 743, 2004 to the full Council with a "Do Pass as Amended" recommendation. This motion carried by a vote of 5-0.

Councillor Brown requested the Council receive periodic updates on funds coming in and how the money is being distributed. Mr. Ricketts agreed.

[Clerk's note: Councillor Talley left at 5:42 p.m.]

PROPOSAL NO. 26, 2005 - approving the Installment Tax Payment Plan for certain real estate taxes

Mike Rodman, County Treasurer, said this proposal received a lot of conversation last year but has expired. In order to provide the same benefit to the five classes of tax payers they are asking for the plan to be renewed for another year. He said 250 tax payers have taken advantage of the plan. Mr. Rodman gave the following break down of the five categories of tax payers:

- Category A: 76 tax payers who have experienced an increase in their 2005 tax obligation, over the 2002 tax obligation of 100% or more.
- Category B: 1 tax payer in Marion County that is actively serving in the United States military.
- Category C: 76 tax payers who are over 65 years of age and are eligible for reduction.
- Category D: 78 tax payers who are over 65 years of age and have an adjusted gross income of \$25,000 or less.

[Clerk's note: Mr. Rodman clarified the difference between category C and D. He said class D refers to the tax payer that may have assessed property over \$144,000 but has an income of \$25,000 or less]

- Category E: 27 tax payers who are under 65 years of age and their only source of income is Social Security disability.

Councillor McWhirter asked if the same people qualify every year for category A. Mr. Rodman replied in the affirmative and said there were six people who dropped off the payment plan. Ms. Land added that 48 of the tax payers in category A have paid in full vs. using the payment plan. Councillor McWhirter asked if they anticipate a large number of people in category A this year. Mr. Rodman replied in the negative and said may be 50 more people will be added to category A.

Councillor Nytes asked if they have any observation on why only 250 people are using the payment plan. Ms. Land said some people that experienced an increased are those that are included in a mortgage company payment. She also added that some people may not know that the plan is available.

Councillor Brown moved, seconded by Councillor McWhirter, to send Proposal No. 26, 2005 to the full Council with a "Do Pass" recommendation. This motion carried by a vote of 4-0.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 5:55 p.m.

Respectfully submitted,

Joanne Sanders, Chair
Administration and Finance Committee

JS/as

